pepp

Annual Report 2014-2015

Public Employees Pension Plan

A Pension Plan which meets your needs.

Fresh • Forward • Growing

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This annual report is available in electronic format at **www.peba.gov.sk.ca**

Letters of Transmittal

Kevin Doherty
Minister of Finance

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2015.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Pension Board, I have the honour of submitting the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2015.

Nola Joorisity
Chair

Chair's Comments

Nola Joorisity
FCPA, FCA, CMA

On behalf of the members of the Public Employees Pension Board (the Board), I am pleased to present the 2014-2015 Annual Report of the Public Employees Pension Plan (PEPP). This report highlights the Public Employees Pension Plan's activities for the 2014-2015 fiscal year.

As one might imagine, there is a lot that goes on behind the scenes to keep Canada's largest Defined Contribution pension plan growing and thriving. This year, members may have noticed several changes and new initiatives. PEPP underwent a new branding in 2014 which introduced a new logo and visual identity that exemplifies PEPP's fresh and forward thinking in the pension industry.

The GET MORE initiative, a three-year project, was completed in the fall after 230 unique milestones were accomplished. This initiative wrapped up with the "Voice Your Choice" campaign which encouraged members to make a conscious investment choice. This was a huge success in member engagement as PEPP received more than 11,000 replies. Also, as part of the GET MORE initiative, PEPP introduced two new funds, the Bond Fund and Money Market Fund.

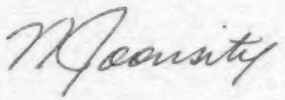
While many plans continue to increase administration fees and modify available services, the Board is proud to say that PEPP reduced fees. Specifically, the $40 fee for fund transfers within PEPP *Access* has now been eliminated.

Retired members who have selected a Variable Pension Benefit (VPB) should have noticed a new section on the VPB annual statements in January 2015. This area gives members insight into how long their money might last based on their previous year's withdrawal pattern. The section also highlights how their withdrawal pattern compares with the PEPP Guidance suggested withdrawal schedule. Members can learn more about how to make their money last longer in retirement by viewing their personal PEPP Guidance information within Retire@Ease, PEPP's online retirement planner.

The final change you may have noticed is a new half-day workshop aimed at PEPP members who are in their twenties or thirties. The "Kick Start Your Financial Future" workshop helps young members recognize the value of their pension plan and learn how to get the most from their pension account. To date, 157 members have attended the presentation.

In the 2015-2016 fiscal year PEPP will perform system upgrades, lost member searches and administer a member survey. This survey will seek feedback on services provided to members and will ask what can be done to improve member communications. In addition, the coming year will bring an exciting change as all participating employers, plan members and all assets of the Capital Pension Plan will transition to PEPP in June 2015.

I am privileged to chair the Public Employees Pension Board and to present the 2014-2015 Annual Report.

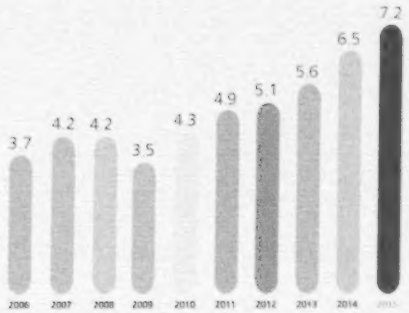


Nola Joorisity
Chair

Financial Highlights

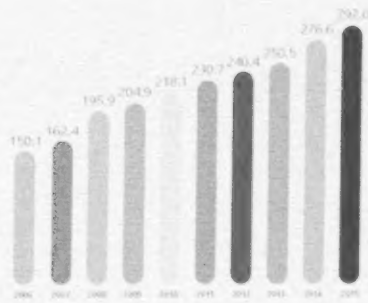
$7.2 billion

Total Assets of the Plan



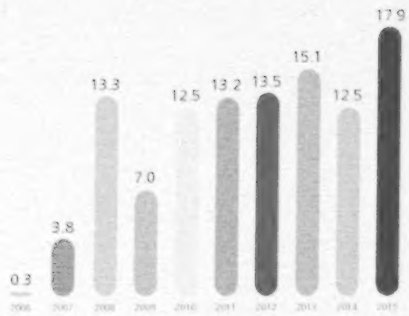
$292.0 million

Total Contributions to the Plan



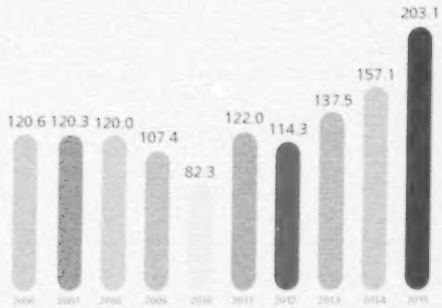
$17.9 million

Total Transfers-in to the Plan



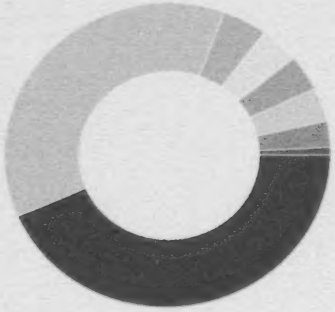
$203.1 million

Total Transfers-out of the Plan



Investment *Highlights*

Assets by Investment Option ($ millions) (as at March 31, 2015)



3,111.9	Balanced Fund	279.3	Conservative Fund
2,663.0	PEPP Steps Fund	253.4	Accelerated Growth Fund
306.2	Growth Fund	205.6	Money Market Fund
279.6	Moderate Fund	48.0	Bond Fund

PEPP Fees and Rates of Return[1] (as at March 31, 2015)

			(%)		
Fund	Benchmark Rate of Return	Gross Rate of Return	Fees PEBA & Board[2]	Fees Investments[3]	Net Rate of Return
Accelerated Growth	12.1	12.7	0.12	0.73	11.8
Growth	11.8	12.3	0.12	0.66	11.5
Balanced	11.5	11.8	0.12	0.60	11.1
Moderate	11.0	11.0	0.12	0.49	10.4
Conservative	10.3	10.0	0.12	0.34	9.5
Bond[4]	7.7	7.9	0.12	0.05	7.7
Money Market[4]	0.4	0.6	0.12	0.03	0.5

Table 10

[1] The rate of return and fee data for the PEPP Steps Fund varies with each step.
[2] Of the 0.12% fees shown, the Board accounts for less than 0.01%.
[3] Investment fees include fees for investment managers, consulting and custody.
[4] Returns for these funds are since inception. The Bond Fund commenced trading on July 2, 2014 and the Money Market Fund commenced trading on October 31, 2014.

In aggregate, global equity markets enjoyed solid gains. The S&P 500 index, a benchmark of U.S. stock market performance, celebrated its sixth bull market year. Due to its heavy exposure to the resource sector, Canadian indices lagged other major markets as commodity prices fell. Fixed income markets advanced notably as the sharp fall in bond yields enabled Canada's main benchmark bond index to gain over ten per cent. Longer duration bonds outperformed shorter-dated maturities and government bonds outperformed credit as spreads widened. While all asset allocation funds posted positive returns on the year, these circumstances led to the more aggressively structured funds modestly outperforming the more conservatively designed funds.

Plan Profile

54.7
thousand

Plan Members

83

Number of Participating Employers

PEPP was established and is governed by *The Public Employees Pension Plan Act*. It is registered as a pension plan pursuant to *The Pension Benefits Act, 1992* and the *Income Tax Act* (Canada).

The Public Employees Pension Plan (PEPP) has 83 participating employers and 54,770 members at March 31, 2015. Participating employers include the Government of Saskatchewan, Crown Corporations, agencies, boards and other public institutions.

PEPP is a defined contribution (DC) pension plan. A member's contributions and his or her employers' contributions, plus any return on investment, are used to provide a member with income based upon the account balance he or she has built at retirement.

Enrolment in the Plan is mandatory for employees who hold a permanent position with an employer participating in the Plan. Unless otherwise specified in an agreement, non-permanent employees may choose to join the Plan at any time.

Member and employer contributions are calculated as a percentage of the member's total gross regular earnings. Unless otherwise specified in an agreement, the contribution percentage is five per cent. Member contributions are made by payroll deduction.

Contributions to PEPP are tax deductible up to a maximum set by the *Income Tax Act* (Canada). Members do not pay taxes on contributions or the accumulated investment income until they withdraw an amount from the Plan.

Contributions are forwarded to the Plan and are used to purchase units in the PEPP investment option of the member's choice.

Units are valued daily following market close. Once a new unit value is declared, member accounts are valued using the new unit value. Return on investment is reflected in the changing unit value. The amount the member receives at payout or transfer is calculated using the unit value in effect at the date of payment.

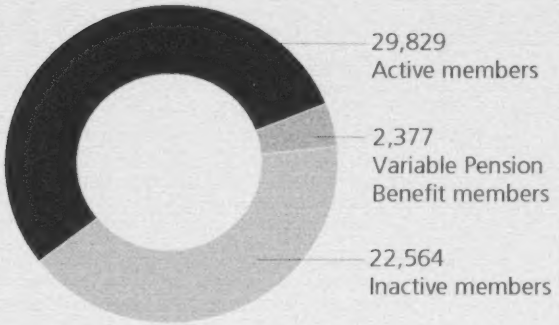
Members may retire and begin to receive retirement income at age 50 or older.

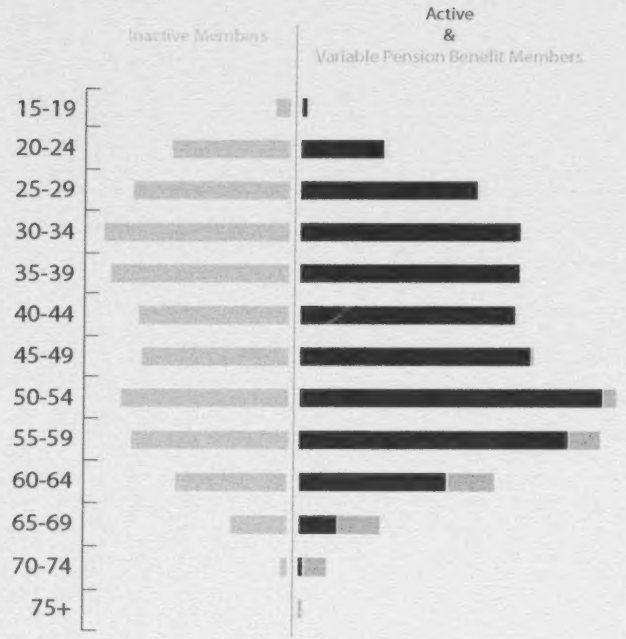
Members may defer purchasing a retirement income option after retirement. The *Income Tax Act* (Canada) states that a pension must begin by the end of the calendar year a member turns age 71.

Membership Activity	
Membership at March 31, 2014	**54,037**
Add:	
Enrolment during the year	3,274
Variable Pension Benefit (VPB) enrolment	598
Less:	
Exiting members	3,139
Membership at March 31, 2015	**54,770**

Table 1.1

Membership Distribution by Age Band as at March 31, 2014





23.2
thousand
Members Registered in PEPP *Access*

43.9
years
Average Age of Active Plan Members

3.8
thousand
Online Inter-fund Transfers Processed

Public Employees Pension Board

Purpose.
Mission.
Goals.

To provide lifetime retirement benefits to members.

To provide members with a means of saving for retirement, a flexible way to receive retirement income and pension services.

Service, Delivery, Design and Communications

Plan Governance

Accountability

The Board consists of nine members; four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair who is appointed for a three-year term.

Public Employees Pension Board Members at March 31, 2014

Name	Position	Appointing Body
Nola Joorisity	Chair	Public Employees Pension Board
Dennis Terry	Vice-Chair	SaskEnergy, SaskPower, SaskTel
Jack Duvall	Member	Saskatchewan Government and General Employees' Union
Sean Engemoen	Member	Saskatchewan Polytechnic Saskatchewan Liquor and Gaming Authority
Darren Henderson*	Member	International Brotherhood of Electrical Workers Union Local 2067
Jacalyn Luterbach	Member	Canadian Union of Public Employees Local 600
Kathy Martin	Member	Unifor
Jocelyn Robinson	Member	Public Service Commission
Cathy Uhersky	Member	Saskatchewan Crop Insurance Corporation, Workers' Compensation Board, Saskatchewan Cancer Foundation

Table 1.2

* Darren Henderson was appointed to the Board effective September 1, 2014 to replace Derrick Goulet, who resigned from his position on the Board effective May 27, 2014.

Meeting Attendance

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members. The Chair is remunerated with a retainer set by the Board.

The Board had nine regular meetings in the 2014-2015 fiscal year. Table 1.3 shows the number of meetings each Board member attended.

Name	Number of Meetings Attended
Nola Joorisity	9
Dennis Terry	9
Jack Duvall	5
Sean Engemoen	8
Derrick Goulet [1]	1
Darren Henderson [2]	6
Jacalyn Luterbach	7
Kathy Martin	9
Jocelyn Robinson	8
Cathy Uhersky	7

Table 1.3

[1] Derrick Goulet's appointment ended on May 27, 2014.
[2] Darren Henderson was appointed on October 1, 2013.

Both Derrick Goulet and Darren Henderson attended 100 per cent of the meetings they were eligible to attend during their appointments.

Board Members: (*left to right*)

Cathy Uhersky, Sean Engemoen, Dennis Terry, Nola Joorisity, Darren Henderson, Jacalyn Luterbach

Missing: Jack Duvall, Kathy Martin, Jocelyn Robinson,

Board Education

The Board has an education program in place for Board members. The purpose of the program is to ensure the Board members possess a sound knowledge and understanding of pension, investment, and governance related issues. Yearly, the Board allocates registration fees for each Board member. Expenses related to travel and accommodation are reimbursed at rates established by the Public Service Commission.

Upon appointment to the Board, new members receive an orientation provided by the Public Employees Benefits Agency's (PEBA's) Executive Management.

Board members are required to undertake a formal education program. The program provides a list of courses and seminars that deliver specific investment and governance-related information relevant to Board members.

- Within one year of appointment, members attend the Queen's Governance Program for Executives and Board Members in the Government and Not-for-Profit Sectors, facilitated by the Queen's School of Business, Queen's University.
- Within one year of appointment, members complete a course on basic investment principles facilitated by PEBA.
- Within two years of appointment, members complete the Board Effectiveness Program for Pension and Other Long-Horizon Investment Institutions, presented by the International Centre for Pension Management at the Rotman School of Management, University of Toronto.

Board members who have completed the formal education program are also required to attend one educational event annually that is facilitated by an industry-recognized pension and benefits organization. A Board member who is actively pursuing the formal education program is exempt from the obligations found in the ongoing development for all members. However, all members are strongly encouraged to attend an education event.

Conferences and other events attended by Board members as part of their ongoing education provide the Board with information on the current governance, investment and legal environment affecting pension plans. They also provide opportunities for Board members to meet with pension experts and pension trustees from other pension plans to discuss common issues.

Table 14 lists the education events attended by Board members to March 31, 2015.

Seminars, Courses and Other Events Attended by Board Members in 2014–2015

Name	Education Events Attended	Total Expenses
Jack Duvall	• PEBA Pension Information Session	$0
Sean Engemoen	• PEBA Pension Information Session	$0
Derrick Goulet	• None attended	$0
Darren Henderson	• Queens Governance Program	$4,972
Nola Joorisity	• Chartered Director Program - Modules 1-4 [1] • PEBA Pension Information Session	$0
Jacalyn Luterbach	• PEBA Pension Information Session	$0
Kathy Martin	• Rotman Board Effectiveness Program • PEBA Pension Information Session	$9,034
Jocelyn Robinson	• Rotman Board Effectiveness Program • PEBA Pension Information Session	$8,904
Dennis Terry	• Rotman Board Effectiveness Program • Deloitte Directors' Series: Focus on the Audit Committee • PEBA Pension Information Session	$8,724
Cathy Uhersky	• CPBI Forum 2014 [2] • PEBA Pension Information Session	$1,891
	Total Expenditures	**$33,525**

Table 14

[1] Completed as a member of another board of directors. No expenses were incurred by the Public Employees Pension Plan.

[2] Provided by the Canadian Pension and Benefits Institute.

Investments

In aggregate, global equity markets enjoyed solid gains in the 2014-15 plan year. The S&P 500 index, a benchmark of U.S. stock market performance, celebrated its sixth bull market year having trebled from its lows of March 2009. Due to its heavy exposure to the resource sector, Canadian indices lagged other major markets particularly the S&P/TSX SmallCap Index.

In more detail, central banks and their accommodative policies continued to be supportive of markets. While its bond-buying program ended in October 2014, the U.S. Federal Reserve (the Fed) kept its balance sheet at sizable levels by continuing to reinvest principal payments of bond holdings and by rolling over maturing Treasury securities at auction. Moreover, the Fed maintained its key policy rate in the 0 to 1/4 per cent target range during the year. The stock market in general, responded positively to improving U.S. economic indicators such as favourable job growth. According to the U.S. Department of Labor, employment growth had averaged 269,000 per month over the prior 12 months.

Stocks benefited not only from accommodative monetary policy, the prospect of a self-sustaining U.S. economic recovery, favourable relative valuations (versus investment grade bonds), and shareholder-friendly corporate actions but from solid corporate earnings growth. Many firms achieved impressive results over the bulk of the past 12 months driven by previous efforts to cut costs, deleverage, and improve margins. Moreover, companies appeared keen to execute on growth plans as merger and acquisition activity remained robust as firm decision-makers demonstrated growing confidence. This optimism bolstered investor sentiment which led to multiple expansion as S&P 500 stocks finished the plan year trading at a multiple of 17.4 times trailing 12-month earnings while it began the year with a 16.5 price-to-earnings multiple. Current valuations would suggest that while stocks are north of cheap they are not radically far off from historical average valuations.

On the flip side, despite improved company fundamentals and a positive economic backdrop, challenges remained such as volatility in currency and commodity markets, deflation concerns, lingering geopolitical uncertainty, uneven global growth, high global debt burdens, and diverging monetary policies. More recently, year-over-year earnings growth expectations for the first calendar quarter of 2015 have been notably revised downward and are expected to be negative, primarily due to significant broad-based declines in the Energy sector. U.S. companies with significant sales outside of the United States are also expected to report negative earnings growth, a consequence of a strong U.S. dollar.

While a strong U.S. dollar will generally have a negative impact on earnings and revenues of large U.S. multinationals, the appreciation of the greenback had a positive translation impact on asset returns reported in Canadian dollars. For example, the MSCI World Index advanced 14.0 per cent in local terms while it gained 22.3 per cent after including currency impacts (or unhedged) as the Canadian dollar weakened.

On the S&P/TSX Composite, returns were strong for all but two sectors. The largest point contributors to the upside came from the Financials and Health Care sectors while Energy was by far the greatest detractor from performance. The Energy sector, which has suffered a significant decline in expected earnings (particularly among upstream operators, oilfield service companies, and drillers) was the key driver of poor relative performance of the Canadian index as the price of oil fell over 50 per cent.

Fixed income markets advanced sharply as the sharp fall in bond yields enabled Canada's main benchmark bond index, the FTSE TMX Canada Bond Universe, to gain over ten per cent. Longer duration bonds outperformed shorter-dated maturities and government bonds outperformed credit as spreads widened.

Overview

The Plan has eight investment options. These funds offer a mix of asset classes, which are made up of fixed income, real estate and equities.

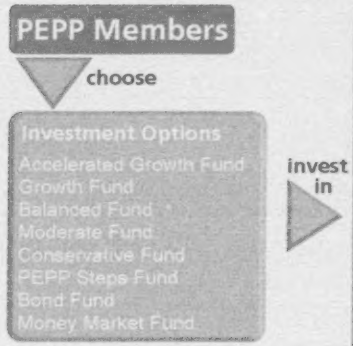
The PEPP Fund Line-up:

- PEPP Steps Fund
- Bond Fund
- Conservative Fund
- Moderate Fund
- Balanced Fund
- Growth Fund
- Accelerated Growth Fund

and/or the Money Market Fund

Members can invest in any one of the listed funds. The only fund eligible to be added as a secondary fund is the Money Market Fund.

Note: In response to member feedback, the PEPP Board is moving ahead to provide members with even more investment choice. In the Fall of 2015, PEPP members will be able to invest in any one of PEPP's Asset Allocation funds and add the Money Market and/or the Bond Fund as a secondary fund.



Asset Class	Investment Managers
Canadian Equities	Beutel, Goodman & Company Ltd. GE Asset Management Canada Company GlobeFlex Capital, L.P. QV Investors Inc. TD Asset Management Inc. J. Zechner Associates Inc.
Foreign Equities	Schroder Investment Management North America Inc. Investec Asset Management Ltd. TD Asset Management Inc. Tweedy, Browne Company LLC Franklin Templeton Institutional, LLC Gannett Welsh & Kotler, LLC SouthernSun Asset Management LLC Oberweis Asset Management, Inc. Thompson, Siegel & Walmsley LLC AQR Capital Management, LLC T. Rowe Price (Canada), Inc.
Real Estate	Greystone Managed Investments Inc.
Liquid Alternatives	BlueCrest Capital Management LLP Brevan Howard US LLC Grantham, Mayo, Van Otterloo & Co. Winton Capital Management
Bonds	Greystone Managed Investments Inc. TD Asset Management Inc. AllianceBernstein Canada, Inc. PIMCO Canada Corp.
Cash & Equivalents	TD Asset Management Inc.
Currency Management	Pareto Investment Management Limited

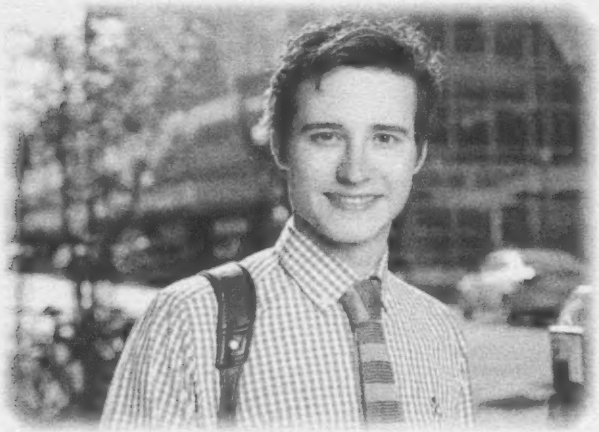
Asset allocation funds invest in a mix of asset classes, including equities (Canadian and foreign), real estate, liquid alternatives, fixed income, and cash equivalents. The mix depends on the fund; more conservative funds are weighted more heavily toward fixed-income investments where more aggressive funds are weighted more heavily toward equities. The Bond Fund is invested solely in fixed income investments and the Money Market Fund is invested solely in highly liquid short-term debt securities.

Equities offer the greatest potential return, but are exposed to a high level of market volatility, meaning that they are susceptible to losses over the short-term. As such, equities are best suited for long-term investors who are able to ride out short-term volatility in return for long-term growth potential.

Fixed-income investments, such as bonds and cash equivalents, are lower-volatility investments, meaning they are much better suited to capital preservation. For this reason, members with less tolerance for short-term volatility may prefer funds with a greater percentage of fixed income.

Members are encouraged to make an investment choice that fits their risk tolerance and investment profile. PEPP's eight investment options offer members a range from the Accelerated Growth Fund, an equity-heavy fund, to the Conservative Fund while also offering the Bond Fund (invested solely in fixed-income investments) and the Money Market Fund (invested solely in money market securities).

The PEPP Steps Fund, the default investment fund for the Plan, is an asset allocation fund that automatically moves members to more conservative exposures over time. Equity and alternatives' holdings decrease and bond holdings increase by increments of approximately five per cent for each of the 12 steps.



Public Employees Pension Plan
Plan Member

The Board will continue to implement their plan to enhance the Plan's investment options to improve member outcomes.

Investment Options*

Accelerated Growth Fund

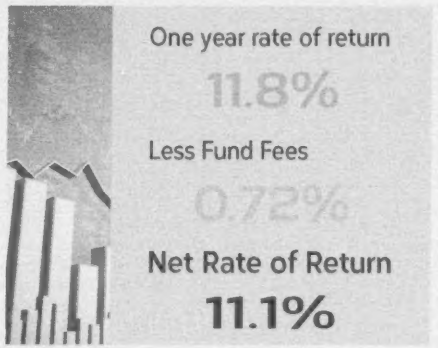
The Accelerated Growth Fund offers the highest risk and highest potential return. The goal of this fund is to provide capital growth over the long term. It invests primarily in equities. Foreign currency exposure for this fund is 20.2 per cent (foreign exposure of 40.4 per cent, less hedged exposure of 20.2 per cent).

Growth Fund

The Growth Fund is an aggressive fund offering relatively high risk and high potential return. Its goal is to provide capital growth over the long term by investing largely in equities. Foreign currency exposure for this fund is 17.9 per cent (foreign exposure of 35.9 per cent, less hedged exposure of 17.9 per cent).

Balanced Fund

The Balanced Fund offers relatively balanced potential risk and return. Its goal is to provide long-term capital growth. The Balanced Fund provides target weight of 52 per cent for equities. Foreign currency exposure for this fund is 15.6 per cent (foreign exposure of 31.2 per cent, less hedged exposure of 15.6 per cent).

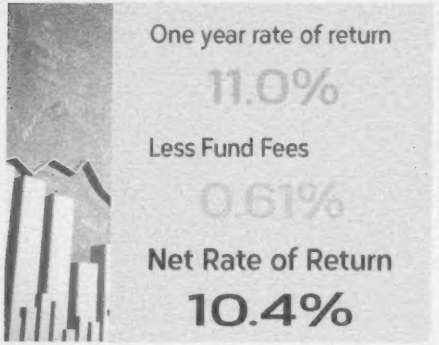


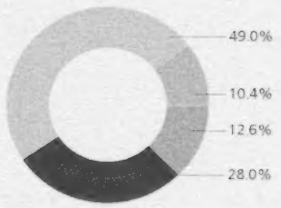
Fixed Income Alternatives Canadian Equity Foreign Equity

* The pie charts for all of the investment options list the actual asset mix for each fund as at March 31, 2015.

Moderate Fund

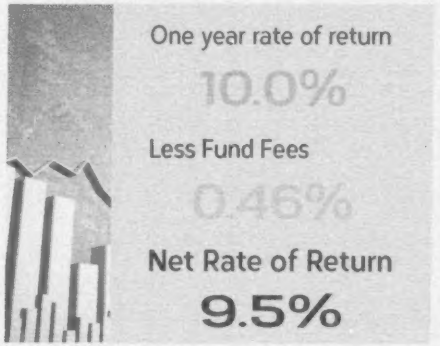
The Moderate Fund is designated to provide a balance of security and long-term growth by balancing the risk and potential returns of the major asset classes. The Moderate Fund provides target weight of 49 per cent for fixed-income. Foreign currency exposure for this fund is 11.9 per cent (foreign exposure of 23.8 per cent, less hedged exposure of 11.9 per cent).

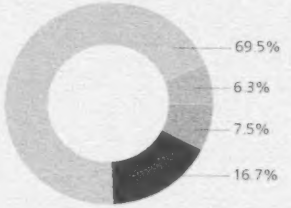




Conservative Fund

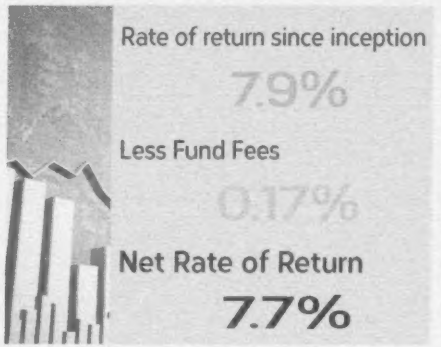
The Conservative Fund is designated to provide returns with little fluctuation. By focusing mainly on fixed-income investments, it offers lower risk and lower potential for return that other PEPP asset allocation funds. Foreign currency exposure for this fund is 7.2 per cent (foreign exposure of 14.3 per cent, less hedged exposure of 7.2 per cent).





Bond Fund

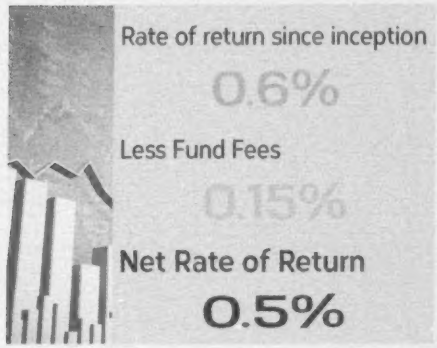
The Bond Fund is one of the most conservative investment options within PEPP and offers low potential risk and return. Because its goal is to provide broad exposure to the Canadian Bond Market, earn interest income and preserve Capital, it invests strictly in bonds. There is no foreign currency exposure for this fund.



Fixed Income Alternatives Canadian Equity Foreign Equity

Money Market Fund

The Money Market Fund is the most conservative investment choice within PEPP and offers the lowest potential risks and returns. This fund is designed for members who have a very short time horizon and are looking for the ultimate capital preservation option. There is no foreign currency exposure for this fund.



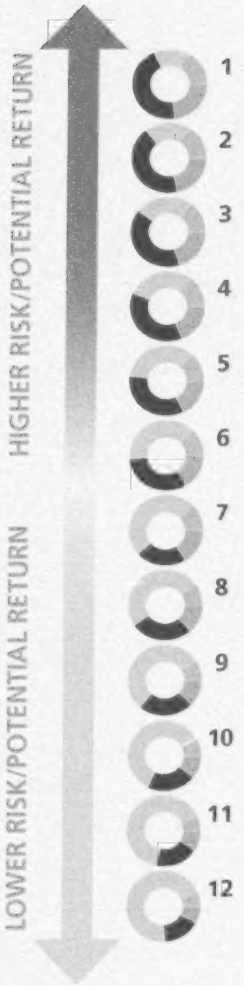
PEPP Steps Fund

The PEPP Steps Fund is the default investment fund for the Plan. It is made up of a diversified investment portfolio which automatically moves members to more conservative investments in five-year intervals. Equity and Alternative exposures decrease and bond holdings increase by increments of about five per cent for each step. Because of its unique structure, the PEPP Steps Fund does not have a single rate of return or fee level. Fees range from 0.85 per cent for PEPP Step 1 to 0.46 per cent for PEPP Step 12.

PEPP Fees and Rates of Return (as at March 31, 2015)

	(%)		
Fund	Gross Rate of Return	Fees	Net Rate of Return
PEPP Step 1	12.7	0.85	11.8
PEPP Step 2	12.5	0.82	11.7
PEPP Step 3	12.3	0.78	11.5
PEPP Step 4	12.2	0.75	11.4
PEPP Step 5	11.8	0.72	11.1
PEPP Step 6	11.6	0.68	10.9
PEPP Step 7	11.4	0.65	10.7
PEPP Step 8	11.0	0.61	10.4
PEPP Step 9	10.8	0.57	10.2
PEPP Step 10	10.5	0.54	10.0
PEPP Step 11	10.4	0.50	9.9
PEPP Step 12	10.0	0.46	9.5

Table 15



Fixed Income Alternatives Canadian Equity Foreign Equity

Investment Managers

Within each asset class, one or more investment managers are used for each investment option. The use of different managers allows for further diversification of the investments within each investment option. The use of different investment managers allows the Plan to employ different investment styles that can focus on different regions or sectors for investment, reducing the risk that any one region sector or style may suffer during any economic cycle or event.

Changes to Investment Managers In 2014-2015

Twelve new managers commenced the management of investments in 2014-2015. The new managers and mandates are listed below:

- PIMCO Canada Corporation (PIMCO) is managing two fixed income mandates through its Core Plus and Unconstrained Bond strategies;
- AllianceBernstein Canada, Inc. (AllianceBernstein) is managing a fixed income mandate through its Core Plus Advanced strategy;
- BlueCrest Capital Management LLP (BlueCrest) is managing a liquid alternative mandate through its AllBlue strategy;
- Brevan Howard US LLC (Brevan) is managing a liquid alternative mandate through its Multi-Strategy Master Fund;
- Grantham, Mayo, Van Otterloo & Co. (GMO) is managing a liquid alternative mandate through its GMO Systematic Global Macro strategy;
- Winton Capital Management (Winton) is managing a liquid alternative mandate through its Winton Futures Fund;
- AQR Capital Management LLC (AQR) is managing an emerging markets equity mandate through its Emerging Markets strategy;
- T. Rowe Price (Canada), Inc. (TRP) is managing an emerging markets equity mandate through its Emerging Markets Equity strategy;
- Oberweis Asset Management, Inc. (Oberweis) is managing a non-North American small cap equity mandate through its International Opportunities strategy;
- Thompson, Siegel & Walmsley LLC (TSW) is managing a non-North American small cap equity mandate through its International Small Cap strategy;
- Gannett Welsh & Kotler, LLC (GWK) is managing a U.S. small cap equity mandate through its U.S. Small Cap Equity strategy; and
- SouthernSun Asset Management LLC (SouthernSun) is managing a U.S. small/mid cap equity strategy through its SMID Cap strategy

In addition, the Board terminated BlackRock Asset Management Canada Limited which had been managing a U.S. small/mid cap equity strategy on behalf of the Plan.

Investment Manager Mandates (as at March 31, 2015)

Investment Manager	Mandate	Description
Beutel, Goodman & Company Ltd. (Beutel)	• Canadian Equities	Actively manages Canadian equities
GE Asset Management Inc. (GEAM)	• Canadian Equities	Actively manages Canadian equities
QV Investors Inc. (QV)	• Canadian Equities	Actively manages small and mid cap Canadian equities
GlobeFlex Capital, L.P. (GlobeFlex)	• Canadian Equities	Actively manages small cap Canadian equities
J. Zechner Associates Inc. (Zechner)	• Canadian Equities	Actively manages small cap Canadian equities
Greystone Managed Investments Inc. (Greystone)	• Real Estate • Fixed Income	Actively manages real estate Actively manages fixed income
AllianceBernstein Canada, Inc. (AB)	• Fixed Income	Actively manages fixed income
PIMCO Canada Corp. (PIMCO)	• Fixed Income	Actively manages fixed income
TD Asset Management Inc. (TDAM)	• Canadian Equities • U.S. Equities • Fixed Income • Money Market	Passively manages Canadian equities Passively manages U.S. equities Passively manages fixed income Passively manages money market
Franklin Templeton Institutional, LLC (Franklin)	• Global Equities	Actively manages global equities
Investec Asset Management Ltd. (Investec)	• Global Equities	Actively manages global equities
Schroder Investment Management North America Inc. (Schroder)	• Global Equities	Actively manages global equities
Tweedy, Browne Company LLC (Tweedy)	• Non-North American Equities	Actively manages non-North American equities
Gannett Welsh & Kotler, LLC (GWK)	• U.S. Equities	Actively manages small cap U.S. equities
SouthernSun Asset Management LLC (SouthernSun)	• U.S. Equities	Actively manages small and mid cap U.S. equities
Oberweis Asset Management, Inc. (Oberweis)	• EAFE Equities	Actively manages small cap EAFE equities

Investment Manager	Mandate	Description
Thompson, Siegel & Walmsley LLC (TSW)	• EAFE Equities	Actively manages small cap EAFE equities
AQR Capital Management, LLC (AQR)	• Emerging Markets Equities	Actively manages EM equities
T. Rowe Price (Canada), Inc. (T. Rowe)	• Emerging Markets Equities	Actively manages EM equities
BlueCrest Capital Management LLP (BlueCrest)	• Liquid Alternative	Actively manages global macro mandates
Brevan Howard US LLC (Brevan)	• Liquid Alternative	Actively manages global macro mandates
Grantham, Mayo, Van Otterloo & Co. (GMO)	• Liquid Alternative	Actively manages a managed futures/global macro mandate
Winton Capital Management (Winton)	• Liquid Alternative	Actively manages a managed futures/global macro mandate
Pareto Investment Management Limited (Pareto)	• Hedge 50 per cent of foreign currency exposure	Passively manages currency hedging

Table 1.6

Investment Performance

The Board retains 23 investment managers to invest the assets of the Plan as well as one passive currency hedge manager. Those managers employing an "active" investment management style are given the objective of out-performing the market index or benchmark selected for their mandate. Managers employing a "passive" investment management style are given the objective of equalling the market index or benchmark selected for their mandate.

Canadian Equities

	Net Rate of Return	
	1-Year Return	4-Year Return
Canadian Equity Manager		
TDAM (passive manager)	6.9	4.4
Beutel (active manager)	7.7	n/a
GEAM (active manager)	5.2	n/a
Benchmark (S&P/TSX Capped Composite Index)	6.9	4.4
Canadian SMID Cap Equity Manager		
QV (active manager)	(0.2)	n/a
Benchmark (S&P/TSX Completion Index)	1.3	3.0
Canadian Small Cap Equity Manager		
GlobeFlex (active manager)	(6.4)	5.0
Zechner (active manager)	(13.4)	n/a
Benchmark (S&P/TSX Small Cap Index*)	(9.8)	(2.9)

* Prior to January 2013 benchmark was the BMO Small Cap Index

Table 1.7

US Equities

	Net Rate of Return	
	1-Year Return	4-Year Return
U.S. Equity Manager		
TDAM (passive manager)	29.3	21.9
Benchmark (S&P 500 Index - $Cdn)	29.3	22.0
U.S. Small/Mid Cap Equity Manager		
SouthernSun (active manager)	n/a	n/a
Benchmark (Russell 2500 Index - $Cdn)	26.3	20.7
U.S. Small Cap Equity Manager		
GWK (active manager)	n/a	n/a
Benchmark (Russell 2000 Index - $Cdn)	24.2	19.6

Table 1.8

Non-North American/Global, Emerging Market Equities

	Net Rate of Return	
	1-Year Return	4-Year Return
Non-North American Equity Managers		
Tweedy (active manager)	8.7	13.7
Benchmark (MSCI EAFE Index - $Cdn)	13.7	12.4
Global Equity Managers		
Schroder (active manager)	22.1	n/a
Investec (active manager)	20.9	n/a
Benchmark (MSCI AC World Index - $Cdn)	21.6	15.7
Franklin (active manager)	20.9	n/a
Benchmark (MSCI World Index - $Cdn)	22.3	17.3
EAFE Small Cap Equity Managers		
Oberweis	n/a	n/a
Benchmark (MSCI World ex US Small Cap Index - $Cdn)	10.7	12.0
TSW	n/a	n/a
Benchmark (MSCI EAFE Small Cap Index - $Cdn)	11.8	13.8
Emerging Market Managers		
AQR	n/a	n/a
T. Rowe	n/a	n/a
Benchmark (MSCI Emerging Market Index - $Cdn)	15.7	5.0

Table 19

Alternatives

	Net Rate of Return	
	1-Year Return	4-Year Return
Real Estate Manager		
Greystone (active manager)	5.5	10.3
Benchmark (Investment Property Databank)	8.4	11.8
Liquid Alternative Managers		
Winton	n/a	n/a
BlueCrest	n/a	n/a
Brevan	n/a	n/a
Benchmark (3-Month US Treasury Bills – $Cdn)	14.8	6.9
GMO	n/a	n/a
Benchmark (FTSE TMX Cda 91-Day T-Bill Index)	0.9	1.0

Table 1.10

Fixed Income

	Net Rate of Return	
	1-Year Return	4-Year Return
Canadian Bond Managers		
Greystone (active manager)	9.0	6.1
TDAM (passive manager)	10.2	6.2
AB (active CorePlus manager)	n/a	n/a
PIMCO (active CorePlus manager)	n/a	n/a
Benchmark (DEX Universe Bond Index)	10.3	6.3
PIMCO (active absolute return manager)	n/a	n/a
Benchmark (FTSE TMX Cda 91-day T-Bill Index)	0.9	1.0

Table 1.11

Cash and Equivalents

	Net Rate of Return	
	1-Year Return	4-Year Return
Money Market Manager		
TDAM (active manager)	1.3	1.2
Benchmark (FTSE TMX Cda 91-day T-Bill Index)	0.9	1.0

Table 1.12

Notes

During 2009, the Board terminated the U.S. equity mandate managed by Northwater Capital Management Inc. (Northwater). A less liquid portion of this mandate, consisting of a fund of hedge funds, is still held by the Plan and is being redeemed. Subsequent to termination, Northwater sold its fund of hedge funds operations to Crestline Investors Inc.

Due to the recent inception, performance for Beutel Goodman, GEAM, OV, Zechner, Schroder, Investec, and Franklin is unavailable.

Investment Consulting

The Board retains Mercer (Canada) Limited for investment consulting services that include research and analysis of financial markets, market trends, investment managers, and investment performance, but also global trends in investments and pension plan design. Mercer (Canada) Limited was paid $468,000 in fees for the year ended March 31, 2015.

Investment Custody and Valuation

The Board retains RBC Investor & Treasury Services as the custodian of the Plan. The custodian is responsible for custody of all financial assets for PEPP, settles all investment transactions and ensures all investment income (dividends and interest) is collected. The custodian also reports all investment transactions and conducts valuation for the Plan. The custodian was paid $797,000 for the year ended March 31, 2015.

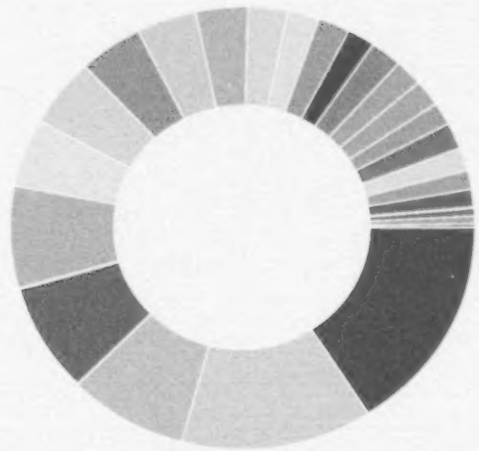
Investment Administration

This includes declaring unit values for all investment options, monitoring of investment performance, communicating with external investment managers and the investment consultant, research, compliance monitoring and managing asset mix and cash flows.

Investment Manager Fees ($ thousands) (for the 2014-2015 fiscal year)

6,068	Winton Capital Management
4,955	BlueCrest Capital Management LLP
3,198	Grantham, Mayo, Van Otterloo & Co.
3,044	Brevan Howard US LLC
2,795	Tweedy, Browne Company LLC
[illegible]	Greystone Managed Investments Inc.
1,865	Schroder Investment Management North America Inc.
1,701	Franklin Templeton Institutional, LLC
1,496	Investec Asset Management Ltd.
1,403	PIMCO Canada Corp.
1,016	T. Rowe Price (Canada), Inc.
891	AQR Capital Management, LLC
789	AllianceBernstein Canada, Inc.
785	GlobeFlex Capital, L.P.
776	Oberweis Asset Management, Inc.
731	Thompson, Siegel & Walmsley LLC
729	GE Asset Management Inc.
696	SouthernSun Asset Management LLC
648	Beutel, Goodman Company Ltd.
[illegible]	QV Investors Inc.
606	Gannett Welsh & Kotler, LLC
457	TD Asset Management Inc.
280	J. Zechner Associates Inc.
172	Pareto Investment Management Limited
40	Crestline Investors, Inc.

$37,694
thousands
Total Investment Manager Fees



Plan Administration

The Board has delegated the day-to-day administration of the Plan and management of its assets to PEBA. The cost for this is charged to the Fund. PEBA is a branch of the Ministry of Finance and administers a wide range of pension and benefit plans.

Under contract with the Board, PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan.

To administer the Plan, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Fund;
- transfers contributions to the custodian of the Fund for investment;
- determines all questions of coverage, eligibility and methods of providing or arranging for the provision of pension benefits;
- calculates and pays all pension benefits;
- communicates with members and participating employers; and
- prepares the annual report.

PEBA also provides Senior Executive Officer services and Executive Secretary services to the Board. In 2014-2015, the Board paid PEBA $6,727,000 for administrative services.

Administration Service Standards

PEBA reports performance measurement against standards to the Board quarterly. *Table 113* and *Table 114* provide measurement results for the 2014-2015 year.

Participating employers include the Government of Saskatchewan, Crown Corporations, agencies, boards and other public institutions.

Public Employees Pension Plan
Plan Member

PEBA Service Standards April 1, 2014 to March 31, 2015

Task	Completed	Met or Exceeded Standard		Standard (Days)*	Statutory Requirement (Days)**
		Number	%		
Statement on Termination of Membership (option letter)	3,071	2,494	81.2	4	90
Payment of Termination Benefits	1,850	1,606	86.8	4	-
Statement on Retirement (option letter)	553	391	70.7	4	90
Retirement Payments	1,743	1,530	87.8	4	-
Statement on Death (option letter)	89	52	58.4	5	90
Payment of Death Benefits	108	82	75.9	4	-
Pension Estimates	613	484	79.0	4	-
Marriage Breakdown Estimates	114	102	89.5	5	-
Portability Transfer Values	54	39	72.2	5	-
Written Correspondence***	6,584	6,584	100.0	5	-
Total	**14,779**	**13,364**	**90.4**		

Table 1.13

* Standard is set within the contract between the Board and PEBA.
** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993*.
*** The majority of written correspondence is received by PEPP Inquiry email. The PEPP Inquiry email receipts and responses are monitored daily by the Assistant Manager.

PEBA Periodic Requirements April 1, 2014 to March 31, 2015

Task	Completed	Met or Exceeded Standard		Standard (Days)*	Statutory Requirement (Days)**
		Number	%		
Member Statement	2	2	100.0	75	180
Reporting on Budget Variances	4	4	100.0	Quarterly	-
Proposed Annual Budget	1	1	100.0	By March 31	-
Performance Measurement	4	4	100.0	Quarterly	-
Board Decision Affecting Individual Clients	0	n/a	n/a	1 Month	-
Newsletter (Pension Perspectives)	4	4	100.0	Quarterly	-
Total	**15**	**15**	**100.0**		

Table 1.14

* Standard is set within the contract between the Board and PEBA.
** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993*.

Key Performance Indicators

The Plan measures its performance in areas that are critical for success if it is to deliver the services that members expect from the Plan. The Plan measures these critical success factors in four categories:

Customer measures track the performance of key customer-related tasks and how well members tell the Plan it is doing in terms of the information and services it provides members.

Financial measures track the Plan's performance in the areas of administration costs and investment performance;

Internal measures track the Plan's performance in the area of internal administration and governance processes; and

Innovation and Learning measures track the Board's performance of educational activities supporting its oversight of the Plan's administration and investment activities.

Establishing targets ensures that the Board is able to review the Plan's performance of key administrative tasks against a standard of practice, to track any changes in performance over time, and to be aware of the areas of strength and weakness in the Plan's administration.

The Board reviews these key performance indicators on a quarterly basis throughout the year. A review of the Plan's performance during the year ended March 31, 2015 is provided in the following pages.

Summary

The Plan has met the majority of its performance targets in 2014-2015. Service to members is a highlight of this report: member satisfaction with the information provided by the Plan and member satisfaction with information sessions both met the target performance. Member satisfaction with the service provided by the Plan fell slightly below the target, but remains high.

Performance documented by two of the investment-related measures was consistently poor throughout the year. The primary driver for the underperforming investment options is the significant underperformance of a number of equity managers, including several who were replaced in recent quarters.

Service provider performance has been a concern during the year: one of the Plan's key service providers received a less-than-satisfactory evaluation during the year, meaning the Plan did not meet its target for service provider excellence in 2014-2015.

In spite of the few areas of underperformance, consistently high performance in the majority of the areas measured paints an overall picture of timely, efficient, and satisfactory service to Plan members within the approved administration budget.

Customer

Critical success factor	Measure	Target	Result
Quality of service satisfaction	Member satisfaction with quality of customer service	More than 90 per cent of member survey responses indicate satisfaction with services	Not Met[1]
Effective communication	Member satisfaction with quality of communication materials	More than 90 per cent of member survey responses indicate satisfaction with communications	Met
Member retention	Member satisfaction with information sessions	More than 80 per cent of member survey responses indicate satisfaction with information sessions	Met
Member retention	Member fund retention	More than 70 per cent of funds available for withdrawal are left in the Plan	Met
Provide service within service standard	Member transactions within service standards	More than 80 per cent of transactions meet the service standard	Met

[1] Member satisfaction with the service PEBA provides, as indicated by survey responses year-to-date, at 87.9 per cent, has fallen slightly below the performance target. On November 1, 2014, PEPP replaced the paper-based survey on which the measure is based with a new electronic survey. The measure blends the information provided by the previous survey to October 31, 2014 with the information provided by the new survey subsequent to that date. The new survey, unlike the previous one, allows members to select a neutral option ("neither agree nor disagree"), which for the purposes of this measure is a negative response.

Key performance indicators allow the Board to monitor the services delivered to Plan members and the tasks that are critical for the Plan's ongoing success.

Key performance indicators

Financial

Critical success factor	Measure	Target	Result
Returns greater than benchmarks	Investment fund rate of return compared to benchmark	All funds perform better than their respective benchmarks	Not met [2]
Performance to budget	Administration cost	Administration cost within budgeted amount	Met
Supplier management	Active investment manager investment return	Performance of all active investment managers exceeds four-year benchmarks	Not met [3]
Supplier management	Passive investment manager investment return	Performance of all passive investment managers exceeds four-year benchmarks	Met
Supplier management	Breakage as a percentage of total financial transactions	Fewer than one per cent of financial transactions incur breakage	Met

[2] There are twelve investment options with four years of history, and none provided a positive value-add over benchmark in the quarter ended March 31, 2015. Only one provided a positive value-add during two quarters of the year. The primary driver for the underperforming investment options is the significant underperformance of a number of equity managers, including several who were replaced during 2014-2015. Because the more aggressive investment options have higher exposure to the equity managers that were underperforming, the performance of the more aggressive investment options is further behind benchmark than the performance of the more conservative investment options. While absolute performance improved during the current four-year period, relative performance versus benchmark did not significantly change. This performance was consistently below the target of 100 per cent throughout the year

[3] At March 31, 2015, three of the Plan's five active investment managers who have four years of experience (60 per cent) added value in comparison to their four-year benchmarks, down from 83.3 per cent through the first three quarters of the year. This performance was consistently below the target of 100 per cent throughout the year.

Internal

Critical success factor	Measure	Target	Result
Supplier management	Service provider performance is satisfactory	Performance of all service providers is satisfactory	Not met [4]
PEBA leadership	Satisfactory rating for Executive Management Services	Board's evaluation of its administrator shows satisfaction with the executive management services provided	Met
Governance	Compliance with Governance Self-Assessment and CAP Guidelines	Board demonstrates 100 per cent compliance with CAPSA governance and CAP guidelines	Met
Supplier management	Investment manager compliance reporting is 100 per cent annually	All required compliance reports are submitted	Met
Performance to budget	Actual expenditures on budgeted strategic initiatives compared to budget	Expenditures within budgeted amount	Met
Performance to schedule	Budgeted strategic initiatives are completed on schedule	All budgeted initiatives completed on schedule	Met

[4] The performance of one of the Plan's key service providers was documented as unsatisfactory during the year. As a result, performance in this area will not meet the Board's target of satisfactory performance from 100 per cent of the Board's key service providers

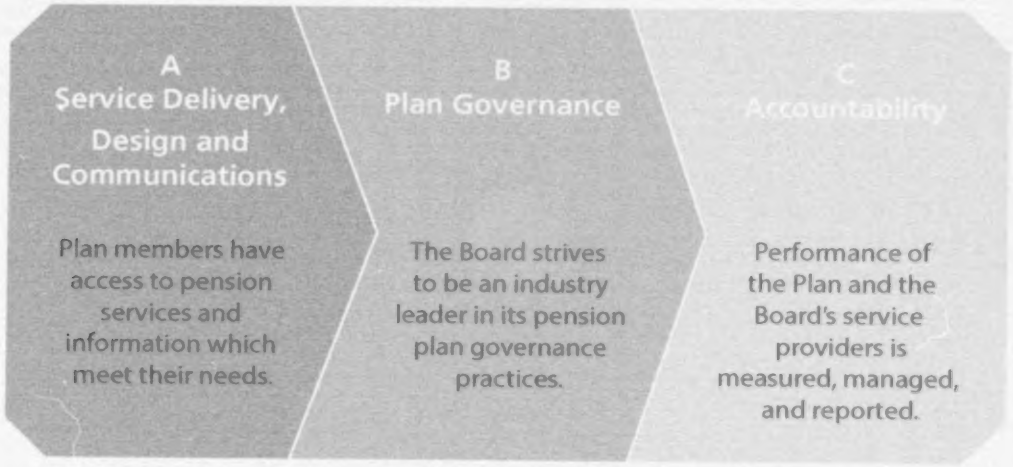
Innovation and Learning

Critical success factor	Measure	Target	Result
Board leadership capacity	Board training budget expenditure	Board spends at least 50 per cent of education budget	Met
Board leadership capacity	Board training requirements	Board as a whole has completed at least 80 per cent of individual training requirements	Met

Strategic Initiatives

Strategic goals

The strategic goals of the PEPP Strategic Business Plan for 2014-2015 include:


A
Service Delivery, Design and Communications
Plan members have access to pension services and information which meet their needs.
B
Plan Governance
The Board strives to be an industry leader in its pension plan governance practices.
C
Accountability
Performance of the Plan and the Board's service providers is measured, managed, and reported.

A. Service Delivery, Design and Communications

The Board is committed to ensuring that Plan members have access to pension services and information which meet their needs.

The Board is determined to maintain its position as an industry leader in the value-added services the Plan provides to its members.

The Board is continually exploring leading industry practices, but its primary benchmark in Plan design and service delivery is the satisfaction of Plan members. The Board's goal is to ensure that Plan design and service delivery meet Plan member needs.

This means providing members with risk-appropriate investment options to enable them to make the investment choice that is most appropriate to their circumstances. It also means providing members with the information needed to make that choice.

The best way the Board can know whether the options and services it provides are meeting member needs is to ask members. The Board is committed to facilitating two-way communication with members to gather their feedback.

The Board's goal is to provide options and services that give members every reason to remain in the Plan and that attract the attention of other public-sector employers and employees who will seek to join the Plan.

Activities Accomplished in 2014-2015

Continue consultation regarding assisting members with the decisions they must make as members of the Plan

- The Plan continued its consultation with the Financial and Consumer Affairs Authority regarding assisting members with the decisions they must make as members of the Plan.

Complete the implementation of the Board's plan to enhance the Plan's investment options to improve member outcomes.

- The Board's plan to enhance the Plan's investment options was completed on October 31, 2014, when the Plan moved members from the Plan's old default fund to the Plan's new default fund, the PEPP Steps Fund, as well as from the Short-term Bond Fund to the new Money Market Fund.
- Members were provided with notice of the changes starting in July 2014.
- The Plan conducted 145 information sessions for members leading up to the October 31, 2014 transfer date.
- The communication effort resulted in 3,768 inter-fund transfers in the quarter leading up to the deadline, and the project saw an overall movement of $2.5 billion in member monies between the Plan's investment options.

Continue to enhance self-service by expanding online capabilities and research delivery options.

- Enhancements to improve the security of the Plan's online resources were developed. Testing commenced to ensure the effectiveness of the enhancements.

Continue to improve products and services for retired members.

- The annual statement provided to Variable Pension Benefit members in January 2015 provided those members with guidance regarding the rate at which they might spend their retirement accounts and how long the account would last at that default rate of spending.

Other activities accomplished in 2014-2015:

- The redesigned PEPP website was launched in February 2015. The site was updated with a clean, contemporary look and mobile-friendly features.

Activities Planned for 2015-2016

Continue consultation regarding assisting members with the decisions they must make as members of the Plan.

Continue to enhance self-service by expanding online capabilities and research delivery options.

Continue to improve products and services for retired members.

B. Plan Governance

Pension plan governance refers to the roles and responsibilities of the Board and its service providers in fulfilling the Boards fiduciary* obligations to Plan members and their beneficiaries. The Board strives to be an industry leader in its pension plan governance practices.

The Board recognizes that good governance is crucial to the long-term success of the Plan. Good governance requires appropriate control mechanisms that encourage good decision making, proper and timely execution, and regular review and assessment. The Board has invested considerable effort in developing its governance practices and policies, and will continue to seek ways of improving its governance program.

Several ongoing initiatives have been implemented in this area, including:

- annual self-assessment based on Canadian Association of Pension Supervisory Authorities Guidelines;
- annual self-assessment and periodic external assessment against the Guidelines for Capital Accumulation Plans and best practices;
- the creation of a Board Policy Manual with ongoing policy development; and
- periodic benchmarking of the Board's governance practices against the governance practices of other pension governing bodies through benchmarking surveys and audits.

The Board's primary objective in its pursuit of this goal is to improve its oversight of the Plan.

Activities Accomplished in 2014-2015

Examine the report regarding potential administrative models for the Plan and formulate a position on the consultants' recommendation.

- Further examination of the report was deferred until 2015-2016.

Explore means of influencing appointing practices to ensure that the Board is made up of appropriately qualified individuals.

- The Board commenced the development of a skills matrix delineating the skills required of members of the Public Employees Pension Board.

Other activities accomplished in 2014-2015:

- The Board examined its governance practices and found that they compare favorably with industry best practices and peer practices. The Board monitored the implementation of initiatives to improve performance in several areas through the year.

Activities Planned for 2015-2016

Formulate a position on the consultants' recommendation regarding potential administrative models for the Plan.

Develop a strategy regarding influencing appointing practices to ensure that the Board is made up of appropriately qualified individuals.

Continue to examine governance practices for potential improvements.

* A fiduciary relationship is a legal term for a special type of relationship under the law where one party is bound to act strictly in the best interest of the beneficiary. An example of a fiduciary relationship is the relationship between a doctor and a patient: a doctor is bound to act honestly, in good faith, and strictly in the best interest of the patient.

C. Accountability

The Board measures, manages and reports on the performance of the Plan and its service providers.

The Board believes that good governance requires a strong focus on accountability, the basis of which is the establishment of measurable objectives, the monitoring of progress against these objectives, and the communication of the results to Plan stakeholders.

The Board has made considerable progress with respect to this goal, including:

- the establishment of service standards for the Plan administrator;
- the development and implementation of a strategic business plan; and
- annual Board member self assessment.

The Board has two primary objectives in its pursuit of this goal:

- The Board demonstrates that it governs the Plan responsibly.
- The Board demonstrates that it provides appropriate oversight of service providers.

Activities Accomplished in 2014-2015

Explore further enhancements to the Annual Report

- No significant enhancements were identified for the Annual Report 2014-2015.

Other activities accomplished in 2014-2015:

- The Board published its Governance Manual on the Plan website.
- The Board commenced publication of its quarterly activity reports on the PEPP website.

Activities Planned for 2015-2016

Continue to explore potential enhancements to the Board's accountability documentation.

Public Employees Pension Plan
Plan Member

Risk Management

Within its mandate, the Board is responsible for managing risks that could affect the Plan's members, the operation of PEPP and other stakeholders.

Annually, the Board will conduct a risk-management review. This annual review is designed to identify potential events and trends that may positively or negatively affect the Board's ability to achieve its strategic goals or maintain its operations. These events and trends are defined as risks.

> **Risk:** The potential events and trends that may positively or negatively affect the operation of the Plan, the members or other stakeholders of the Plan or the attainment of strategic goals.

The risk-management process and review ensures that the Board, along with its administrator, identifies and evaluates risks, ensures appropriate strategies are in place to manage these risks and reviews the performance of the risk-management strategies for the previous year.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place for the management of the Plan's foreseeable risks. Documenting the rationale for arriving at decisions strengthens accountability and demonstrates due diligence.

The Board's Risk Management Philosophy Statement

The Board is committed to creating and maintaining value for the members of the Plan. The Plan faces risks as the Board fulfills this commitment. Therefore, the Board is responsible for managing all foreseeable risks that could affect the operation of the Plan and the Plan's stakeholders. Through its risk-management process, the Board identifies, measures, monitors and manages these risks in a manner that is consistent with the Board's governance model.

The Board is responsible for managing risks that could affect the Plan's members, the operation of PEPP and other stakeholders.

Key Risks

In order to assist in the identification and assessment of all foreseeable risks in the Plan, the Board has identified the following key broad-based risks to the Plan:

Broad-based Risks		Key Risks
Strategic Risk	Strategic Risk is the risk of failing to meet objectives. Strategic risk is further categorized into governance, reputation, plan design and communication considerations.	• Failure to meet plan members' or participating employers' needs. • Lack of member understanding of the role of the pension plan in the attainment of their retirement objectives.
Financial Risk	In order to meet the long-term needs of members and employers, sustainable pension products responsive to and valued by members, employers, unions and the sponsor must be maintained. This must be achieved in a way that considers the affordability and adequacy of the Plan's services.	• Investment of assets. • Excessive costs/expenses. • Fraudulent activities of service providers, the administrator or the Board.
Regulatory Risk	Regulatory risk is the risk of not meeting objectives due to non-compliance with legislation or regulation, or due to changes in legislation or regulations, or precedent-setting court decisions.	• Non-compliance with legislative and common-law requirements. • Failure to meet fiduciary obligations to Plan members and their beneficiaries or obligations to other stakeholders.
Operational Risk	Operational risk is the risk of failing to meet objectives due to inadequate or failed internal processes, human performance, or technology, or due to external events. Operational risks includes service-provider risk, which is the risk of failing to meet objectives due to the inability or unwillingness of a service provider to fulfill its obligations.	• Errors and omissions by administrative agent or professional advisors. • Service provider unable to carry on business. • Poor performance of service providers.

The Board believes that the broad-based risks are integrated with each other and with the processes of the Plan. Therefore, the Board has resolved to retain a balanced approach in the management of all four types of risks.

The Board has developed and implemented these strategies and ongoing business practices to manage the key risks facing the plan:

- The Board implemented a Statement of Investment Policies and Goals (SIP&G) that outlines the Board's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.

  The SIP&G defines the benchmark to which investment performance is measured. The Board annually reviews the SIP&G.

  The Board communicates investment performance.

  Independent monitoring is carried out by:

  - PEBA;
  - Mercer (Canada) Ltd.;
  - RBC Dexia Investor Services; and
  - custodians of pooled funds used by the Board.

- The Board ensures initiatives and Plan-related activities are adequately funded through its budgeting process.

- The Board receives a report comparing the administrative costs for public-sector pension plans, including other public-sector defined contribution pension plans, annually.

- The Board reviews the performance standards for the Board's administrator quarterly, investment consultant annually, investment managers quarterly, and custodian semi-annually.

- The Board annually evaluates the performance of the executive management services provided by its administrator.

- The Board requires that service providers confirm that they maintain disaster recovery plans and adhere to a code of conduct.

- There are two levels of audit:

  - The Board retains Deloitte LLP to conduct an audit of the Plan.
  - The Provincial Auditor reports to the Legislative Assembly regarding the audit of the Plan.

- The Board has an Acquisition and Retention of Services policy that details how the Board is to retain and evaluate service providers.

- The Board's administrator reviews and reports compliance with legislative requirements annually.

- The Periodic Checklist is a list of major items identified by the Board that are necessary for the administration of a pension plan. The checklist allows verification that an activity has been carried out. The completed Periodic Checklist is provided to the Board on a semi-annual basis.

- Board members are required to review and sign the Board's Code of Conduct and Conflict of Interest Procedures at least annually.

- The Board has outlined the education required to aid Board members in executing their fiduciary and governance duties.

- The Board formally reviews its Strategic Business Plan on a periodic basis.

- The Board regularly consults with legal counsel and outside advisors regarding issues on which it is deliberating.

- The Board retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.

- PEBA staff provides retirement information seminars and individual information to Plan members.

- Information tools include member and employer seminars, employer bulletins and guides, written materials, and online resources such as the Plan website, PEPP *Access* and Retire@Ease.

- The Board consults with Plan members and participating employers on a regular basis to determine their needs.

Activities Accomplished in 2014-2015

Board oversight of the implementation of changes to the Plan's investment options

- The Board conducted an in-depth review of its investment policy throughout 2013-2014. Throughout 2014-2015, the Board monitored the implementation of changes to the Plan's investment options intended to improve member outcomes.

Periodic evaluation by the Board's administrator of the performance of the auditor, investment consultant and custodian

- The Board reviewed the performance of its auditor in September 2014.
- The Board reviewed the performance of its custodian in October 2014.
- The Board reviewed the performance of its investment consultant in April 2015.

Quarterly updates comparing actual expenditures versus budgeted amounts

- The Board received quarterly updates on its budget for the periods ending June, September, and December 2014, and March 2015.

Semi-annual completion of the Periodic Checklist

- PEBA provided the Board with the final Periodic Checklist for 2013-2014 in May 2014 and the interim Periodic Checklist for the first six months of 2014-2015 in November 2014. No significant exceptions were noted.

Continued oversight of the audit program for PEBA's unit value processes in order to ensure that PEBA's processes are appropriate and may be relied upon

- In February 2015, the Board received a report regarding PEBA's calculation of unit values. The report noted areas for improvement.
- PEBA put in place a plan to address tactical issues raised by the audit, as well as strategic issues highlighted by the audit findings.

Other Activities Accomplished in 2014-2015

- The members of the Board each reviewed and signed a copy of the Board's Code of Conduct and Conflict of Interest Procedures at the Board's meeting in September 2014.
- The Board approved a governance policy regarding decision making outside of regular meetings of the Board.
- The Board received a review of governance practices at comparable Canadian pension plans.

Activities Planned for 2015-2016

- The Board will continue its oversight of the implementation of strategic initiatives.
- The Board will continue to periodically evaluate the performance of its auditor, investment consultant, custodian, and administrator.
- The Board will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.
- The completed Periodic Checklist will be provided to the Board on a semi-annual basis.
- The Board will continue to oversee PEBA's implementation of its strategy to address the issues raised by the audit of its unit value processes in order to ensure that PEBA's processes are appropriate and may be relied upon.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Public Employees Pension Board is composed of four members appointed on behalf of participating employers, four members appointed on behalf of employees, and a Chairperson selected through a formal recruitment process. The Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow, have been prepared by management in conformity with Canadian accounting standards for pension plans and have been approved by the Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements were examined by Deloitte LLP. Their report follows.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency

Regina, Saskatchewan
June 26, 2015

Financial statements (as at March 31, 2015)

Public Employees Pension Board

Public Employees Pension Plan

Deloitte.

Independent Auditor's Report

To Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Public Employees' Pension Plan, which comprise the statement of financial position as at March 31, 2015, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Public Employees' Pension Plan as at March 31, 2015, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Professional Accountants
June 26, 2015
Regina, Saskatchewan

Public Employees Pension Plan
Statement of Financial Position

Statement 1

	(in thousands)	
	March 31 2015	**March 31 2014**
ASSETS		
Investments (Note 4)		
Short-term	$ 23,353	$ 48,831
Bonds and Debentures	660,080	830,420
Equities	2,504,975	2,528,547
Pooled Funds	3,379,054	2,728,292
Investments Under Securities Lending Program	483,621	206,901
	7,051,083	6,342,991
Receivables		
Contributions Receivable – Employee	1,004	1,004
Contributions Receivable – Employer	1,270	1,217
Accrued Investment Income	8,588	11,347
Other Receivables	5,061	18,344
	15,923	31,912
Cash	93,704	84,442
Due from General Revenue Fund (Note 7)	7,922	6,556
Total Assets	7,168,632	6,465,901
LIABILITIES		
Administrative Expenses Payable	5,710	4,905
Refunds, Transfers And Other Payables	5,457	18,376
Total Liabilities	11,167	23,281
NET ASSETS AVAILABLE FOR BENEFITS	$ 7,157,465	$ 6,442,620

(See accompanying notes to the financial statements)

Public Employees Pension Plan
Statement of Changes in Net Assets Available for Benefits

Statement 2

For the Year Ended March 31	(in thousands) 2015	2014
INCREASE IN ASSETS		
Investment Income		
Interest	$ 30,561	$ 28,859
Pooled Funds	111,973	104,174
Dividends	56,238	57,535
Other	2,539	1,112
	201,311	191,680
Change in Fair Value of Investments	525,554	614,467
Contributions		
Employee Contributions	148,226	143,107
Employer Contributions	143,802	133,527
External Transfers In	17,941	12,460
	309,969	289,094
Total Increase In Assets	1,036,834	1,095,241
DECREASE IN ASSETS		
Transfers, Refunds and Benefits (Note 6)	262,832	204,838
Transfers to Saskatchewan Pension Annuity Fund	6,858	12,018
Investment Transaction Costs	3,834	4,195
Administrative Expenses (Note 8)	45,218	23,309
Other Expenses	3,247	-
Total Decrease In Assets	321,989	244,360
Net Increase In Net Assets	714,845	850,881
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	6,442,620	5,591,739
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 7,157,465	$ 6,442,620

Public Employees Pension Plan
Notes to the Financial Statements

March 31, 2015

1. Description of Plan

The following description of the Public Employees Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The Public Employees Pension Plan Act (the "Act") is the legislative authority for the Plan which is domiciled in Regina, Saskatchewan, and which is a defined contribution plan that covers the employees of a number of government entities. Effective September 1, 2002, the Plan also covers the Members of the Legislative Assembly.

The Act established the Plan to accumulate all contributions and earnings for plan members. In 2014, The Plan amended the fund structure by removing the Short-term Bond Fund and introducing two new stand-alone funds. The two new funds consist of the Bond Fund, which was introduced on July 2, 2014 and the Money Market Fund, which was introduced on November 1, 2014. Overall, the Plan consists of five asset allocation Funds: the Accelerated Growth Fund, the Growth Fund, the Balanced Fund, the Moderate Fund and the Conservative Fund; one Lifecycle Fund: the PEPP Steps Fund; and two other stand-alone funds: the Bond Fund and the Money Market Fund.

All Funds receive and hold, in trust for members, contributions from the members and employers (collectively "Participants") and investment income derived from the Plan's investments.

The Plan holds varying percentages of bonds and debentures, equities, pooled funds, short-term investments and derivative financial instruments. The asset mix of each fund is established based on the expected volatility of the underlying securities and assets. The Accelerated Growth Fund is considered the most volatile and contains the highest percentage of equities relative to fixed income investments of all the funds.

Effective November 1, 2007, members of PEPP may choose either one of the five asset allocation funds or the PEPP Steps Fund. In addition, each member may also choose the Bond Fund and/or Money Market Fund.

The Plan uses a unitized method of plan participation whereby each member has a certain number of units of ownership in the net assets of the investment funds. Investment income including changes in the market value of the investments and expenses is reflected in the market value of the net asset value per unit of participation. The total available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

The Plan introduced a Variable Pension Benefit option ("VPB") in May 2006 whereby retired members could elect to withdraw all or some of their pension funds either through lump-sum withdrawals or scheduled monthly payments. Members who participate in the VPB may choose to invest in any of the funds which are offered by the Plan.

b) **Administration**

The Act established the Public Employees Pension Board ("Pension Board") to administer the Plan. The Pension Board is comprised of nine members: four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term. The Public Employees Benefits Agency ("PEBA") is under contract with the Board to provide day-to-day administration.

c) **Retirement**

Members may retire as early as age 50.

Upon retirement a member may choose to receive a VPB from the Plan or to purchase an annuity from the Saskatchewan Pension Annuity Fund ("SPAF") or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 71, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the SPAF or be transferred to another pension plan which has a reciprocal agreement with the Plan.

Members who elect to receive a VPB retain their account balances within the Plan. Those members who purchase their annuities from the Saskatchewan Pension Annuity Fund have their accumulated balance in the Plan at the date of retirement transferred to the SPAF.

A VPB is a periodic payment made from a registered plan to a member of that plan and which must conform to certain minimum payment requirements but not to any maximum payment requirements.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan. Accordingly, these financial statements presume the accuracy and completeness of the Participants' contributions.

2. Basis of Preparation

a) Statement of Compliance

The financial statements for the year ended March 31, 2015 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the CPA Canada Handbook section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards ("IFRS") have been followed.

These financial statements were authorized and issued by the Pension Board on June 26, 2015.

b) Functional and Presentation Currency

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise noted.

3. Significant Accounting Policies

The significant accounting policies are as follows:

a) Investments

Investments are stated at their fair value in the Statement of Financial Position. The change in the fair value of investments from the beginning to the end of each year is reflected in the Statement of Changes in Net Assets Available for Benefits.

Fair value of investments is determined as follows:

Short-term investments are valued at cost which, together with accrued investment income, approximates fair value given the short-term nature of these investments.

Bonds and debentures are valued at year-end quoted prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at the appropriate market interest rates.

Equities are valued at year-end quoted prices from accredited stock exchanges on which the security is principally traded.

Pooled fund investments are valued at the unit value supplied by the pooled-fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing prices. Real estate pooled-fund underlying assets are valued by third-party appraisals.

Investments in derivative financial instruments, including futures, repurchase agreements, forwards and option contracts, are valued at year-end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

Investment transactions are recorded on the trade date.

b) **Other Assets and Financial Liabilities**

Accounts receivable are classified as loans and receivables and accounts payable are classified as other financial liabilities and are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

c) **Investment Income and Transaction Costs**

Investment income, which is recorded on the accrual basis, includes interest income, dividends, pooled-fund income, and other income.

Brokers' commissions and other transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits in the period incurred.

d) **Foreign Currency Translation**

The fair values of foreign currency denominated investments included in the Statement of Financial Position are translated into Canadian dollars at year-end rates of exchange. Gains and losses from translations are included in the change in fair value of investments.

Foreign currency-denomination transactions are translated into Canadian dollars at the rates of exchange on the trade dates of the related transactions. Realized gains and losses on the sale of investments are included in the change in fair value of investments.

e) **Income Taxes**

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

f) **Use of Estimates and Judgments**

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates.

g) **Future Accounting Policy Changes**

Certain new standards, amendments to standards and interpretations, are not yet effective for the year ended March 31, 2015 and have not been applied in preparing these financial statements. In particular, IFRS 9, Financial Instruments, which currently has an effective date of adoption of January 1, 2018. The extent of the impact of adoption of this standard is not known at this time, but is not expected to be material.

4. Investments

The fair values of the Plan's investments are as follows:

	2015	2014
Short-term	$ 23,353	$ 48,831
Bonds and Debentures	660,080	830,420
Equities	2,504,975	2,528,547
Pooled Funds	3,379,054	2,728,292
	6,567,462	6,136,090
Investments Under Securities Lending:		
Equities	384,506	108,101
Bonds	99,115	98,800
	483,621	206,901
	$ 7,051,083	**$ 6,342,991**

Security Lending Program

Through its custodian, the Plan participates in an investment security lending program for the purpose of generating fee income. Non-cash collateral of at least 105 per cent of the market value of the loaned securities is retained by the Plan until the loaned securities have been returned (see Securities Lending Program in note 9). The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

Short-term Investments

Short-term investments are comprised of treasury bills, notes, commercial paper, repurchase agreements, foreign exchange forward contracts and a short-term investment fund. Short-term investments held at March 31, 2015 had effective rates of 0.50 per cent to 0.90 per cent (2014–0.90 per cent to 1.40 per cent), and an average remaining term to maturity of 62 days (2014 - 47 days). The repurchase agreements and foreign exchange forward contracts are discussed further in note 5.

Other than the Government of Canada, no single issue represents more than 4.21 per cent (2014 – 7.88 per cent) of the market value of the short-term investment portfolio.

Bonds and Debentures

2015 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$167,174	$ 2,444	$ -	$213,442	$383,060	0.00% - 5.26%	2.11%
5 to 10	11,272	43,678	-	67,796	122,746	1.97% - 7.18%	3.13%
Over 10	48,722	150,139	2,179	52,349	253,389	3.45% - 8.29%	3.75%
Market Value	$227,168	$196,261	$2,179	$333,587	$759,195		

2014 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$209,954	$ 51,653	$16,190	$313,974	$591,771	1.25% - 6.02%	2.73%
5 to 10	11,595	85,294	-	71,558	168,447	2.45% - 7.18%	3.30%
Over 10	23,204	89,752	1,884	54,162	169,002	0.00% - 8.29%	4.16%
Market Value	$244,753	$226,699	$18,074	$439,694	$929,220		

Included in the above amounts of corporate bonds are foreign bonds, issued by foreign entities in Canadian currency, with a market value of $3.8 million (2014 - $3.6 million). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. As at March 31, 2015, approximately $0.02 million (2014 - $6.6 million) in asset-backed securities is included in bonds.

Equities

The Plan's investment policy allows no one holding to represent more than 10 per cent of the market value of the related portfolio and no one holding to represent more than 10 per cent of the common stock in any corporation. As at March 31, 2015, the market value of the Plan's foreign equity investments in Canadian dollars amounted to $2,059 million (2014 - $1,765 million) and foreign equities represent 71.3 per cent (2014 – 66.9 per cent) of the market value of the directly-held equity portfolio.

The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 2.04 per cent (2014 – 2.41 per cent).

Real Estate

Investments in real estate consist of Canadian commercial property held directly by the Greystone Real Estate Fund. The market appraisals used in valuing the real estate involves various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments. The Plan holds investments in real estate through pooled funds.

Liquid Alternatives

Investments in liquid alternative investment strategies provide diverse exposure across multiple asset classes and employ a range of global macro and relative value trading strategies. These mandates invest in liquid financial instruments within various markets such as fixed income, foreign currency, commodities, and equities. The Plan holds investments in liquid alternatives through pooled funds.

Pooled Funds

Pooled-fund investment vehicles provide exposure to a diverse range of asset classes such as money market, fixed income, large cap equities, real estate, and liquid alternative strategies without directly holding underlying securities. The Plan holds investments in both passive and actively managed pooled funds.

The Plan's pooled funds are comprised of:

Pooled Fund	Units Held (in thousands)		% of Total Units Outstanding		Market Value (in thousands)	
	2015	2014	2015	2014	2015	2014
Canadian. Equity						
TD Emerald Canadian Market Capped Pooled Fund Trust	187,327	227,601	37.23%	44.11%	$ 277,075	$ 346,682
U.S. Equity						
TD Emerald pooled U.S. Fund	7,112	19,122	7.17%	18.46%	226,283	539,547
Global Equity						
Trent River Offshore Class R1	1	1	2.92%	4.30%	6,936	9,518
Fixed Income Fund						
TD Emerald Canadian Bond Pooled Fund Trust	57,112	124,942	13.61%	25.82%	644,716	1,336,721
PIMCO Canada Core Plus Bond Fund	2,319	-	10.58%	-	251,625	-
PIMCO Canada Unconstrained Bond Fund	23,283	-	100.00%	-	234,231	-
AllianceBernstein Core Bond Fund	16,738	-	66.92%	-	470,509	-
Liquid Alternative Investments						
BlueCrest	520	-	7.17%	-	139,061	-
Brevan Howard Multi-Strategy Fund Limited	928	-	4.51%	-	140,495	-
GMO Systematic Global Macro Fund	5,750	-	100.00%	-	126,797	-
Winton Futures Fund Limited	115	-	1.32%	-	155,969	-
Other						
TD Emerald Canadian Short-Term Investment Fund	36,503	17,124	18.95%	11.51%	360,620	169,884
Greystone Real Estate Fund	3,158	3,158	6.45%	7.05%	344,737	325,940
					$3,379,054	$2,728,292

The TD Emerald Canadian Market Capped Pooled Fund Trust may invest in equity index futures to replicate the return of the S&P/TSX Composite Index components.

The TD Emerald Pooled U.S. Fund may invest in equity index futures to replicate the return of the S&P 500 Composite Index components.

The Trent River Offshore Fund Class R1 at March 31, 2015 consists of $6.9 million (2014- $9.5 million) invested in market neutral hedge funds. The hedge funds use a variety of investment strategies.

The TD Emerald Canadian Bond Pooled Fund Trust invests in investment grade bonds to approximate the overall characteristics of the FTSE TMX Canada Universe Bond Index. The Trust may not invest in any derivative investments.

PIMCO Canada Core Plus Bond Fund invests in a diversified portfolio of fixed income instruments while maintaining the characteristics of the FTSE TMX Canada Universe Bond Index.

PIMCO Unconstrained Bond Fund invests in a diversified portfolio of fixed income instruments but is not bound by benchmark-specific guidelines or significant sector constraints.

AllianceBernstein Core Plus Bond Fund invests in a diversified portfolio of fixed income instruments while maintaining the characteristics of the FTSE TMX Canada Universe Bond Index.

BlueCrest is a multi-strategy liquid alternative fund of funds that invests in a number of internal BlueCrest funds which employ relative value, systematic trading, global emerging macro, absolute return credit, and other strategies. The BlueCrest funds may invest in fixed income, FX, credit, commodity and equity markets.

Brevan Howard Multi- Strategy Fund Limited is a multi-strategy liquid alternative fund that invests in a number of internal Brevan funds which employ a combination of global macro and relative value trading strategies in fixed income, FX, credit, commodities and equities.

GMO Systematic Global Macro Fund is a liquid alternative fund that invests primarily in a range of global equity, bond, currency and commodity markets using exchange-traded futures and forward foreign exchange contracts.

Winton Futures Fund Limited is a liquid alternative fund that invests primarily in liquid financial instruments and seeks low long-term correlations to other markets such as equities and fixed income.

The TD Emerald Canadian Short Term Investment Fund may use derivatives such as options, futures, forward contracts and swaps provided the reasons for use are consistent with the Fund's objectives and strategies.

The Greystone Real Estate Fund invests in real estate consisting of Canadian commercial property.

Fair Value

The Plan has classified its investments using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments values using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's financial instruments within a fair value hierarchy:

2015 (in thousands)

	Level 1	Level 2	Level 3	Total
Bonds And Debentures	$ -	$ 759,174	$ 21	$ 759,195
Pooled Funds	-	3,034,317	344,737	3,379,054
Short-term	23,353	-	-	23,353
Equities	2,889,481	-	-	2,889,481
Total	$ 2,912,834	$ 3,793,491	$ 344,758	$ 7,051,083

2015 Fair Value measurement using level 3 inputs

	Real Estate Fund	Asset - Backed	Total
Balance at April 1, 2014	$ 325,940	$ 6,574	$ 332,514
Purchases	-	-	-
Sales	-	(6,785)	(6,785)
Gains (Losses)			
Realized	-	232	232
Unrealized	18,797	-	18,797
Balance at March 31, 2015	$ 344,737	$ 21	$ 344,758

2014 (in thousands)	Level 1	Level 2	Level 3	Total
Bonds And Debentures	$ -	$ 922,646	$ 6,574	$ 929,220
Pooled Funds	-	2,402,352	325,940	2,728,292
Short-term	48,831	-	-	48,831
Equities	2,636,648	-	-	2,636,648
Total	$ 2,685,479	$ 3,324,998	$ $332,514	$ 6,342,991

2014 Fair Value measurement using level 3 inputs	Real Estate Fund	Asset - Backed	Total
Balance at April 1, 2013	$ 295,551	$ 6,574	$ 302,125
Purchases	-	-	-
Sales	-	-	-
Gains (Losses)			
Realized	-	-	-
Unrealized	30,389	-	30,389
Balance at March 31, 2014	$ 325,940	$ 6,574	$ 332,514

5. Derivatives

Derivative financial instruments are financial contracts whose values are derived from changes in underlying assets, interest or currency exchange rates.

At March 31, 2015 the Plan held the following derivatives:

Future / Forward Contracts

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in foreign equity pooled funds. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future.

The Plan uses both an active management hedging strategy and a passive currency hedging strategy to manage the currency exposures inherent in the foreign equity exposure of the Plan, as well as provide protection of the Canadian value of the portfolio. Through its active management strategy, the Plan directly holds index futures and forward contracts within an emerging markets equity mandate, AQR Capital Management. While the mandate primarily holds common stocks, this particular mandate also incorporates index futures and currency forwards as a part of their investment management strategy to enhance the risk/return characteristics of the portfolio. The market value of the portfolio is currently is $124.3 million (2014- Nil) and the market value of their derivatives is $1.4 million (2014- Nil).

The following summarizes the Plan's use of foreign currency forward exchange contracts within the passive currency hedging strategy:

FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS

(in thousands)

	2015		2014	
Currency	*Notional Value	Gain (Loss)	*Notional Value	Gain (Loss)
AUD	(15,389)	$ 123	(12,942)	$ (244)
CHF	(54,970)	(1,395)	(59,829)	742
DKK	(3,197)	(25)	-	-
EUR	(117,781)	(1,173)	(143,708)	1,798
GBP	(100,078)	579	(75,477)	376
HKD	(23,429)	187	(18,990)	158
JPY	(64,691)	(172)	(41,544)	207
MXN	278	(2)	(2,304)	(17)
NOK	(8,012)	(85)	(5,418)	64
NZD	(517)	(6)	-	-
SEK	(3,390)	5	(5,675)	130
SGD	(11,723)	(74)	(11,893)	7
USD	(650,771)	5,948	(802,106)	6,357
		$3,910		$9,578

**Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange rate of cash flows, and is therefore not recorded on the financial statements.*

Based on the current rate of exchange as of March 31, 2015, the forward contracts are in a net gain position of $3.9 million (2014 – $9.6 million). The foreign currency forward exchange contracts are short-term in duration and all contracts as of March 31, 2015 have a maturity date of less than one year. This amount is included in short-term investments on the Statement of Financial Position.

Repurchase Agreements

A repurchase agreement, also known as a repo, is a contract entered into between two counterparties to sell securities together with an agreement for the seller to buy back the securities at a later date. At March 31, 2015, the Plan has entered into repurchase agreements with a notional value of $106.2 million (2014 - $95.9 million) and a fair value of $0.28 million (2014 - $0.27 million). This amount is included in short-term investments on the Statement of Financial Position. The repurchase agreements have a term to maturity of less than one year. The amount held for collateral is $11.4 million (2014-$9.8 million).

Repurchase agreements require a fraction of their market value to be available as collateral to back the market exposure provided. PEPP has invested $11.4 million (2014- $9.8 million) in physical bonds which serve as a backing asset for the repurchase agreements with TD Asset Management. The $106.2 million (2014-$95.9 million) investment in the TD Emerald Canadian Short-term Investment Fund is available as additional margin. No specific collateral is pledged for the repurchase agreement exposure as the investment is not leveraged. Collateral may be pledged to the Plan if the market value of the repurchase agreements changes significantly.

6. Transfers, Refunds and Benefits

	(in thousands)	
	2015	**2014**
Termination Refunds	$ 6,021	$ 5,012
Death And Lump Sum Benefits	18,413	6,244
Variable Pension Benefits	59,719	47,724
Marital Transfers	2,408	2,541
Transfers to Registered Retirement Savings Plans and to Private Companies Providing Annuities	172,265	137,909
Transfers Out	4,006	5,408
	$262,832	$204,838

7. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's 30-day borrowing rate and the Plan's average bank account balance. The Government's average 30-day borrowing rate in 2015 was 0.92 per cent (2014 – 1.02 per cent).

8. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

(in thousands)

	2015		2014	
	Budget (unaudited)	Actual	Budget (unaudited)	Actual
Audit Fees	$144	$113	$188	$67
Administration Costs	7,713	6,614	7,242	6,623
Custodial Fees	1,257	797	570	492
Investment Manager Fees	25,569	37,694	14,591	16,127
Total	$34,683	$45,218	$22,591	$23,309

9. Financial Risk Management

The nature of the Plan's operations results in a Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Pension Board. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Pension Board reviews and reports on regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. The Pension Board also reviews and reports on regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments.

The maximum credit risk to which it is exposed at March 31, 2015 is limited to the carrying value of the financial assets summarized as follows:

	(in thousands) 2015	2014
Cash	$ 93,704	$ 84,442
Accounts Receivable	15,923	31,912
Fixed Income Investments[1]	2,744,249	2,484,656
Due from The General Revenue Fund	7,922	6,556
Equities Under Security Lending	384,506	108,101

[1] *Includes short-term investments, bonds, bonds under security lending, bonds and short-term notes held through pooled funds, and derivatives*

Accounts receivable are primarily made up of employee and employer contributions receivable and accrued investment income. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. It is managed at the mandate level as each portfolio must comply with various quality, issuer, and sector constraints appropriate and unique to the strategy.

Credit ratings for bonds and debentures are as follows:

	(In thousands) 2015		2014	
Credit Rating	Fair Value	Makeup of Portfolio (%)	Fair Value	Makeup of Portfolio (%)
AAA	$ 277,979	36.62	$ 330,309	35.56
AA	255,935	33.71	302,398	32.54
A	160,435	21.13	207,344	22.31
BBB	64,825	8.54	88,520	9.52
Unrated	21	-	649	0.07
Total	$ 759,195	100.00	$ 929,220	100.00

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 4.50 per cent (2014 – 4.52 per cent) of the market value of the combined portfolio. No one holding of a province is over 3.56 per cent (2014 – 3.02 per cent) of the market value of the bond and debentures portfolio.

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The currency manager must receive approval from the Board prior to engaging a new counterparty.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk

The Plan is exposed to changes in interest rates in its fixed income investments, including bonds, debentures and the fixed income pooled funds. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets available for benefits by $153.3 million at March 31, 2015 (2014 - $150.3 million); representing 6.21 per cent of the $2,466 million fair value of fixed income investments. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits by $153.3 million at March 31, 2015 (2014 - $150.3 million); representing 6.21 per cent of the $2,466 million fair value of fixed income investments.

Foreign Exchange

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to International currencies (except U.S) through its investment in global equity funds. At March 31, 2015, the Plan's exposure to U.S. equities was 14.36 per cent (2014 – 13.22 per cent) and its exposure to International (except U.S.) equities was 17.61 per cent (2014 – 22.15 per cent).

At March 31, 2015, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $104.2 million (2014- $86.4 million) change in net assets available for benefits. A 10 per cent change in the Canadian dollar versus the International (except U.S.) currencies would result in approximately a $127.9 million (2014- $144.7 million) change in the net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services are not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as described in Note 5. As at March 31, 2015, the Plan's foreign exchange exposure net of derivatives is $1,161 million. A 10 per cent change in the exchange rate would equate to a net change of $116 million.

Equity Prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and International markets. Equities, including equities invested in pooled funds, comprise 47.02 per cent (2014 – 54.08 per cent) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10 per cent of the market value of the Plan.

The following table indicates the approximate change that could be anticipated to the net assets available for benefits based on changes in the Plan's benchmark indices March 31, 2015:

	(Change in thousands of $)	
	10% increase	10% decrease
S&P/TSX Composite Index	$109,209	$(109,209)
S&P 500 Index	104,236	(104,236)
MSCI EAFE Index	127,867	(127,867)

Securities Lending Program

At March 31, 2015, no Plan assets have been deposited or pledged as collateral as part of the securities lending strategy. As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At March 31, 2015, the total amount of collateral pledged to the Plan amounted to $507.8 million (2014 - $217.2 million). Security lending obtains collateral of at least 105 per cent of the market value of the securities lent. Such loans must be secured by readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Liquidity Risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The Plan invests in repurchase agreements in order to increase Plan liquidity while maintaining fixed income exposure. Repurchase agreements provide $106.2 million (2014- $95.9 million) in fixed income exposure with a margin of $11 million (2014- $10 million) in physical bond investments which take three days to liquidate, but also $106.2 million (2014 - $95.9 million) invested in money market investments which can be liquidated for cash in a single day.

10. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government. Also, the Plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $10.4 million (2014 - $12.5 million) Province of Saskatchewan Bonds and Debentures with a yield of 4.20 per cent (2014 – 3.69 per cent). Investment gains on these bonds including the current period change in market value of investments was $0.5 million (2014 - $1.1 million).

The Plan has an accounts payable balance as at March 31, 2015 of $0.8 million (2014 - $0.8 million) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled at agreed upon exchange rates.

11. Capital Management

The Plan receives new capital from participant contributions. The Plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including equities, bonds and debentures, pooled funds, and short-term investments. The Pension Board has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

12. Fair Value of Financial Assets and Liabilities

For the following financial assets and liabilities the carrying amount approximates fair value due to their immediate or short-term maturity:

a) Contributions receivable;
b) Accrued investment income;
c) Other receivables;
d) Due from General Revenue Fund;
e) Administrative expenses payable; and
f) Refunds, transfers and other payables.

The fair value of investments is disclosed in Note 4.

13. Subsequent Event

All Participating employers and Plan members of the Capital Pension Plan ("CPP") Defined Contribution Fund will transition to PEPP with an expected effective date of June 25, 2015. The transfer will bring approximately 9,053 members and approximately $1.360 billion in assets from CPP to PEPP. The Public Employees Pension Plan Regulations, 2015 were approved on May 27, 2015 authorizing the transfer.

14. Value and Performance of Members' Accounts

In accordance with Canadian accounting standards for pension plans, various accruals are included in the Statement of Financial Position. However, only transactions that were processed and unitized during the fiscal year ending March 31, 2015 are reflected in the unitized account balances of members at year-end. The total value of members' unitized accounts at March 31, 2015 was $7,147 million (2014 – $6,424 million).

Investment income including changes in the market value of the investments (investment performance) and expenses is reflected in the market value of the net asset value per unit of participation and is determined daily. Investment and administration expenses relating to each Fund are accrued to or paid from the Fund prior to establishing its daily unit price. The Funds' unit price will increase or decrease according to the Funds' investment performance after expenses.

Fund transactions are processed using forward pricing. This means they are processed at the next unit price set after the Plan receives contributions or requests for transfers, refunds and benefits.

Fund transactions may be suspended temporarily at management's discretion where an accurate unit price for a Fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

In 2014, the Plan amended the fund structure by introducing two new asset allocation funds and by removing the Short- term Bond Fund. The two new asset allocation funds consisted of the Bond Fund, which was introduced on July 2, 2014 and the Money Market Fund, which was introduced on November 1, 2014. Members who were previously invested in the Short-term Bond Fund were given a choice of which fund to move their investments to. Investments of members who did not respond with their choices were defaulted into PEPP Steps. The PEPP Steps Fund is comprised of 12 separate asset allocation funds.

PEPP also has five standalone funds which have the same risk and asset allocation as five of PEPP's Steps funds. For example, at the more aggressive end of the spectrum is Step 1 which corresponds to the Accelerated Growth Fund. At the more conservative end of the risk spectrum is Step 12 which corresponds with the Conservative Fund. Steps 2, 4, 6, 7, 9, 10, 11 are blends of the nearest standalone funds. In all, there are 14 separate funds.

The following table shows some selected data for each of the funds:

	2015			
	Units	Net asset value per unit	Total net assets (000's)	Return %
PEPP Step 1 (Accelerated Growth Fund)	2,387,097	141.9895	$ 338,943	11.8%
PEPP Step 2	982,477	145.6617	143,109	11.7%
PEPP Step 3 (Growth Fund)	3,472,860	146.0494	507,209	11.5%
PEPP Step 4	1,697,125	147.0003	249,478	11.4%
PEPP Step 5 (Balanced Fund)	19,190,422	179.7976	3,450,392	11.1%
PEPP Step 6	3,803,183	149.7968	569,705	10.9%
PEPP Step 7	3,961,117	150.8696	597,612	10.7%
PEPP Step 8 (Moderate Fund)	4,105,008	150.4472	617,587	10.4%
PEPP Step 9	818,967	150.1023	122,929	10.2%
PEPP Step 10	110,158	150.9721	16,631	10.0%
PEPP Step 11	2,690	146.5763	394	9.9%
PEPP Step 12 (Conservative Fund)	1,884,662	148.1712	279,253	9.5%
Bond Fund*	445,281	107.7038	47,958	7.7%
Money Market Fund**	2,045,988	100.4925	205,606	0.5%
Total Unitized Net Assets			$ 7,146,806	

* Fund with an inception date of July 2, 2014. Longer term performance history is therefore not available, and /ear-to-date (YTD) performance for this fund is stated from July 1, 2014 forward.

** Fund with an inception date of October 31, 2014. Longer term performance history is therefore not available and year-to-date (YTD) performance for this fund is stated from November 3, 2014 forward.

	2014			
	Units	Net asset value per unit	Total net assets (000's)	Return %
PEPP Step 1 (Accelerated Growth Fund)	1,987,640	127.0089	$ 252,448	19.8%
PEPP Step 2	422,533	130.3913	55,095	18.4%
PEPP Step 3 (Growth Fund)	2,277,837	130.9774	298,345	17.2%
PEPP Step 4	358,301	131.9734	47,286	16.2%
PEPP Step 5 (Balanced Fund)	29,306,695	161.8508	4,743,311	14.9%
PEPP Step 6	648,714	135.0150	87,586	13.7%
PEPP Step 7	677,193	136.3298	92,322	12.4%
PEPP Step 8 (Moderate Fund)	1,937,742	136.2498	264,017	11.5%
PEPP Step 9	249,256	136.2670	33,965	10.3%
PEPP Step 10	38,884	137.1958	5,335	9.2%
PEPP Step 11	1	133.4300	-	7.9%
PEPP Step 12 (Conservative Fund)	1,504,159	135.2993	203,512	7.0%
Short-term Bond Fund	2,444,831	139.2455	340,432	2.0%
Total Unitized Net Assets			$ 6,423,654	